

CTJ study highlights overseas profits

By LAUREN FRENCH (/REPORTERS/?ID=526) | 3/11/13 5:24 PM EDT

Ten of America's largest corporations have moved more than \$106 billion in profits abroad in the past year, a study released today by Citizens for Tax Justice found.

Led by Apple, which added nearly \$28 billion to its offshore cash, these corporations are increasingly accumulating more profits abroad — and keeping them away from the U.S. taxman, according to the report.

As part of efforts to reduce the debt, congressional Democrats and the White House have highlighted offshore profits as an inviting target for potential revenues. But Republicans largely reject the idea of tax hikes on multinational companies, and want to see the United States move to a territorial tax system as part of comprehensive tax reform. The debate is expected to intensify as lawmakers consider whether to overhaul the tax code this year.

Stashing profits offshore is an increasingly common business strategy, said the study's author, Matthew Gardner, who is the executive director of the liberal-leaning CTJ's Institute on Taxation and Economic Policy.

"There is a growing trend where some of the biggest and most profitable multinationals have been quietly shifting their income offshore," he told POLITICO. "Just as notable is just the sheer number of companies that are moving hundreds of millions offshore. The pace has picked up a bit."

Among the corporations the study named are: Apple, which ended 2012 with nearly \$82 billion in profits abroad; Microsoft, which added nearly \$16 billion to its offshore pool; Pfizer, which added \$10 billion; Merck which added nearly \$9.1 billion. Google added \$8.5 billion to its offshore profits during 2012, the report found, ending with nearly \$33.3 billion held nearly permanently offshore. Abbott Laboratories, Johnson & Johnson, Citigroup, IBM and General Electric were also listed.

Profits earned abroad by U.S. corporations are subject to taxation, but only when the money is brought back into the United States. In 2004, the U.S. government granted a temporary reprieve to corporations, allowing the profits to be taxed at a lower rate, a break known as a repatriation holiday.

Google, Pfizer, Cisco Systems and Apple all voiced support for failed Senate legislation last year that would have taxed deferred profits at a 5 percent tax rate, rather than at-the-time top rate of 35 percent.

"These aren't real investments being moved offshore. These companies are simply shifting their profits on paper from the U.S. to low-tax or no-tax jurisdictions," Gardner said. "It's not a transaction that has any real economic substance to it at all."

Citizens for Tax Justice opposes any tax repatriation holiday and advocated for a higher corporate tax rate during the fiscal cliff negotiations.

According to the report, 300 of the Fortune 500 corporations held at least \$1.6 trillion in offshore profits in 2011.

